

Message Text

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PAGE 01 OTTAWA 04296 312226Z
ACTION SS-25

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C O N F I D E N T I A L OTTAWA 04296

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EXDIS

E.O. 11652: XGDS
TAGS: PLOS, CA
SUBJECT: LOS - INFORMAL BILATERAL CONSULTATIONS WITH
CANADA

REF: USUN 3359

FOR LOSDEL - AMBASSADOR RICHARDSON

1. IN RESPONSE TO AUGUST 29 TELEPHONE CALL FROM
AMBASSADOR RICHARDSON TO AMBASSADOR, WE CHECKED WITH TWO
MIDDLE-LEVEL OFFICIALS, ONE IN EXTERNAL AFFAIRS AND OTHER
IN MINISTRY OF FINANCE, BOTH OF WHOM INDICATED GOC
STILL ADHERES FIRMLY TO CONCEPT OF REVENUE SHARING
BEYOND 200 MILES, BUT THERE IS LACK OF AGREEMENT WITHIN
GOC ON WHAT THE FORMULA OR BASIS OF CALCULATION FOR
REVENUE SHARING SHOULD BE.

2. FOLLOWING AUGUST 31 DAY-OXMAN CONVERSATION, WE
WENT BACK TO EXTAFF OFFICIAL TO TRY TO OBTAIN A
CLEARER FIX ON WHERE THE CANADIAN HANG-UP IS. LATTER
REVEALED THAT GOC CONCERN, WHICH IS CENTERED IN MINISTRY
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OF FINANCE, RELATES TO PARAGRAPH TWO OF ARTICLE 82
OF ICNT, SPECIFICALLY THE RATE OF PAYMENT AND WHETHER,
FOR EXAMPLE, A GROSS OR NET FIGURE IS USED FOR THE
VALUE OF PRODUCTION AT THE SITE. APPARENTLY, FINANCE
IS CONCERNED THAT NET ROYALTIES TO GOC, AFTER PAYMENTS
FROM PRIVATE COMPANIES OPERATING ON THE CONTINENTAL
MARGIN WERE SPLIT 25-75 WITH RIPARIAN PROVINCES, WOULD

BE LESS THAN THE AMOUNT THE GOC MIGHT HAVE TO PAY TO THE SEABED AUTHORITY. (ACCORDING TO A FEBRUARY 1, 1978 MEMORANDUM OF UNDERSTANDING BETWEEN THE FEDERAL GOVERNMENT AND THE MARITIME PROVINCES, "ALL REVENUES FROM OFFSHORE RESOURCES WILL BE SHARED ACCORDING TO A FORMULA BY WHICH THE THREE PROVINCES SHARE 75 PERCENT OF REVENUE DERIVED FROM AN AREA SEAWARD OF AT LEAST FIVE KILOMETRES FROM LOW WATER ON THEIR COASTS TO THE CONTINENTAL MARGIN, OR TO THE LIMITS OF CANADA'S JURISDICTION OVER THE COASTAL SEABED, THE FEDERAL GOVERNMENT RECEIVING 25 PERCENT OF REVENUE IN THIS AREA. THE THREE PROVINCES SHARE 100 PERCENT OF REVENUES LANDWARD OF THIS AREA.")

3. COMMENT: BY RAISING THIS MATTER WITH EXTAFF AND FINANCE, WE HAVE CONVEYED OUR CONCERNS OVER THE CONSEQUENCES OF ANY GOC REVERSAL OF ITS POSITION ON REVENUE SHARING, WHICH MAY HAVE BEEN ONE OF THE PURPOSES BEESLEY HAD IN MIND IN RAISING THE SUBJECT WITH AMBASSADOR RICHARDSON. THE GOC OFFICIALS WHO ARE PROBABLY BEST INFORMED ON THIS ISSUE, I.E. B. MAWHINNEY FROM EXTAFF AND NELSON GUILLEMETTE, ARE CURRENTLY IN NEW YORK AS ADVISORS TO BEESLEY, BUT WE SHALL BE GLAD TO PURSUE IT FURTHER HERE IF YOU BELIEVE IT WOULD BE USEFUL.

ENDERS

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